

CPP ANNUAL USE OF CAPITAL SURVEY - 2010



NAME OF INSTITUTION

(Include Holding Company Where Applicable)

D.L. Evans Bancorp/D.L. Evans Bank

Point of Contact:	Brenda Sanford, C.F.O.	RSSD: (For Bank Holding Companies)	2242523
UST Sequence Number:	682	Docket Number: (For Thrift Holding Companies)	N/A
CPP/CDCI Funds Received:	19,891,000	FDIC Certificate Number: (For Depository Institutions)	11666
CPP/CDCI Funds Repaid to Date:		Credit Union Charter Number: (For Credit Unions)	N/A
Date Funded (first funding):	February 27, 2009	City:	Burley
Date Repaid ¹ :	N/A	State:	Idaho

¹If repayment was incremental, please enter the most recent repayment date.

American taxpayers are quite interested in knowing how banks have used the money that Treasury has invested under the Capital Purchase Program (CPP) and Community Development Capital Initiative (CDCI). To answer that question, Treasury is seeking responses that describe generally how the CPP/CDCI investment has affected the operation of your business. We understand that once received, the cash associated with TARP funding is indistinguishable from other cash sources, unless the funds were segregated, and therefore it may not be feasible to identify precisely how the CPP/CDCI investment was deployed or how many CPP/CDCI dollars were allocated to each use. Nevertheless, we ask you to provide as much information as you can about how you have used the capital Treasury has provided, and how your uses of that capital have changed over time. Treasury will be pairing this survey with a summary of certain balance sheet and other financial data from your institution's regulatory filings, so to the extent you find it helpful to do so, please feel free to refer to your institution's quarterly call reports to illustrate your answers. This is your opportunity to speak to the taxpayers in your own words, which will be posted on our website.

What specific ways did your institution utilize CPP/CDCI capital? Check all that apply and elaborate as appropriate, especially if the uses have shifted over time. Your responses should reflect actions taken over the past year (or for the portion of the year in which CPP/CDCI funds were outstanding).

☒ **Increase lending or reduce lending less than otherwise would have occurred.**

The Bank decreased loans 6.12%, for 2010. The decrease in loans is less than would have been necessary had the Bank not participated in the CPP. The Bank has significantly reduced construction and development lending. The Bank continues to increase SBA and 1-4 family residential lending.

☒ **To the extent the funds supported increased lending, please describe the major type of loans, if possible (residential mortgage loans, commercial mortgage loans, small business loans, etc.).**

The Bank originated \$120 Million in residential mortgage loans in 2010. Through the SBA fiscal year end, September 2010, the bank originated \$9.4 Million in SBA loans. Through the first 6 months of the 2011 SBA fiscal year, the bank has originated over \$5.6 Million in SBA loans.

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☒ **Increase securities purchased (ABS, MBS, etc.).**

The Bank increased its Securities Portfolio by \$81 Million during 2010, purchasing \$24 Million in Government Agencies (FHLB, FFCB), \$101 Million in Government issued MBS's (FNMA, FHLMC, GNMA), and \$13 Million in Idaho Municipals, for total purchases during 2010 of \$138 Million.

☐ **Make other investments.**

☒ **Increase reserves for non-performing assets.**

Increased the Allowance for Loan Losses from \$10.3 Million at December 31, 2009 to \$14 Million at December 31, 2010.

☐ **Reduce borrowings.**

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☒ **Increase charge-offs.**

Loan Charge-offs for 2010 and 2009 were \$12.5 Million and \$17.4 Million, respectively, compared to \$4.5 Million in 2008.

☐ **Purchase another financial institution or purchase assets from another financial institution.**

☒ **Held as non-leveraged increase to total capital.**

Capital for D.L. Evans Bancorp at December 31, 2009 was 9.49% Tier 1 Leverage, 12.57% Tier 1 Risk Based, and 13.82% Total Risk Based. Capital for D.L. Evans Bancorp at December 31, 2010 was 8.44% Tier 1 Leverage, 13.18% Tier 1 Risk Based, and 14.44% Total Risk Based.

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What actions were you able to avoid because of the capital infusion of CPP/CDCI funds?

D.L. Evans Bancorp transferred \$18.5 Million to D.L. Evans Bank as additional capital. The additional capital served to strengthen all capital ratios during a difficult economic environment and provided additional capital for the increase in charged-off loans and non-performing assets, including OREO. Therefore, the Bank was able to avoid reducing assets to maintain capital levels, and allowed the Bank to increase residential mortgage lending, commercial SBA lending, and the investment portfolio and maintain capital above the well capitalized standards.

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What actions were you able to take that you may not have taken without the capital infusion of CPP/CDCI funds?

Without the additional capital that was transferred to D.L. Evans Bank from D.L. Evans Bancorp, the Bank would not have been able to continue to originate 1-4 family residential mortgage loans, commercial SBA loans or purchase additional MBS investments. The Bank would have needed to decrease total assets and therefore, total deposits. With the additional capital the Bank had a higher level of capital therefore reducing the percentage of nonperforming assets to total capital, giving the bank additional time to work through specific loan challenges. During 2010, the Bank completed a stress test of the CRE portfolio and projected capital levels under the various scenarios. Based on the results, with the additional capital, the Bank remained well capitalized under all scenarios. The Bank has been able to continue to serve our communities and increase deposits to \$762 Million, a 5% increase, and total assets to \$940 Million a 5% increase. The additional capital has allowed the Bank to grow deposits and increase liquidity. The additional liquidity will enable the Bank to seize new opportunities.

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Please describe any other actions that you were able to undertake with the capital infusion of CPP/CDCI funds.